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Message Text

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ACTION STR-07

INFO OCT-01 IO-13 ISO-00 STRE-00 AF-10 ARA-10 EA-10
EUR-12 NEA-11 OIC-02 AGR-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 DOEE-00 /174 W
----------126940 191720Z /50
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USMTN
ACTION STR PASS ELECTRICALLY
STR PASS CODEL

E.O.11652:N/A
TAGS: MTN, ETRD
SUBJECT: BILATERAL REVIEW WITH SRI LANKA

REF: COLOMBO 2708

1. BILATERAL REVIEW ON JUNE 14 WITH SRI LANKA FOCUSED PRIMARILY ON STATUS OF TARIFF OFFERS AND REQUESTS AND ONLY GENERALLY ON NTM AND FRAMEWORK CODES. SRI LANKA DEL (MARIADASON AND BRECKINRIDGE) CONCERNED OVER STATUS OF MTN NEGOTIATIONS PARTICULARLY U.S. OFFER AND POSSIBILITY OF WITHDRAWALS. VIEW ALSO EXPRESSED THAT LDC'S COULD NOT POSSIBLY BE EXPECTED TO EVALUATE THE VALUE OF THE MTN TO THEM WITHIN THE JULY 15 FRAMEWORK.

2. U.S. DEL (WHITE) NOTED THAT THE U.S. HAD OFFERED FULL AUTHORITY CUTS ON NEARLY ALL OF THE ITEMS REQUESTED BY
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SRI LANKA, EITHER IN THE TROPICAL PRODUCTS NEGOTIATIONS OR IN OUR JANUARY 23 OFFER. IN DISCUSSING CONTRIBUTIONS, U.S. DEL REVIEWED THE SRI LANKAN COMMUNICATION TO THE MTN (MTN/19, 20 APRIL 1978) IN WHICH THE GSL INDICATED THAT ITS NOVEMBER 1977 IMPORT LIBERALIZATION AND TARIFF REFORM PROGRAM SHOULD BE CONSIDERED AS SRI LANKA'S CONTRIBUTION TO THE MTN. IT WAS NOTED THAT AS A RESULT OF DISCUSSIONS

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IN COLOMBO BETWEEN EMBASSY ECON OFFICER AND J. R. SAMARANAYAKE, DIRECTOR OF THE DEPARTMENT OF COMMERCE, A CHECK IS BEING MADE AS TO WHETHER THE LICENSING REQUIREMENTS ON THE PRODUCTS COVERED BY THE U.S. INDICATIVE LIST HAD BEEN REMOVED. U.S. DEL ACKNOWLEDGED THAT NEW IMPORT REGIME WAS A POSITIVE STEP BUT IN THE ABSENCE OF ANY SECURITY FOR THESE CHANGES IT WAS DIFFICULT TO GIVE SRI LANKA FULL CREDIT. WE ASKED WHY SRI LANKA DID NOT NOTIFY THE GATT THAT IT WAS ELIMINATING COMMONWEALTH PREFERENCES (SIMILAR TO A BOUND CONCESSION SINCE THEY WON'T BE RESTORED) OR WHETHER IT WOULD BE POSSIBLE TO MEET AT LEAST SOME OF THE TARIFF REQUESTS ON THE U.S. INDICATIVE LIST INCLUDING BINDINGS.

3. SRI LANKAN DELEGATION STATED THAT GSL CONSIDERED THE ELIMINATION OF LICENSING PROCEDURES TO BE A VERY SUBSTANTIAL CONTRIBUTION TO THE MTN AND RECALLED THAT EARLY MTN DISCUSSIONS CONCERNING LDC CONTRIBUTIONS OFTEN SUGGESTED THAT MODIFICATION OR LIBERALIZATION OF LICENSING REQUIREMENTS WOULD BE AN APPROPRIATE CONTRIBUTION. IT WAS HIS FEELING THAT THE EMPHASIS ON BINDINGS WAS A MORE RECENT INNOVATION AND NOT PART OF THE BASIS ON WHICH MANY LDC'S HAD ENTERED THE MTN. REGARDING COMMONWEALTH PREFERENCES, MARIADASON STATED THAT THE SYSTEM WAS BEING ELIMINATED BUT THAT BECAUSE ARTICLE XXVIII NEGOTIATIONS WERE CURRENTLY UNDERWAY, THERE COULD BE NO

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PUBLIC STATEMENTS. HE ALSO EXPRESSED CONCERN OVER THE STATUS OF THE U.S. OFFER AND THE POSSIBILITY THAT ITEMS OF INTEREST TO SRI LANKA WOULD BE WITHDRAWN BECAUSE THE PRINCIPAL SUPPLIER HAD NOT MADE SUFFICIENT CONTRIBUTIONS. U.S. DEL REITERATED U.S. INTEREST IN SUBSTANTIAL TARIFF LIBERALIZATION BUT NOTED THAT MAINTENANCE OF OUR OFFER DID DEPEND ON APPROPRIATE RECIPROCITY.

4. NTM AND SAFEGUARDS CODES -- SRI LANKAN DELEGATION STATED VIEW THAT FROM THEIR PERSPECTIVE, MOST OF THE CODES WOULD ONLY LIMIT THE AMOUNT OF FREEDOM LDC'S CURRENTLY ENJOYED WITHOUT ADDING SIGNIFICANT BENEFITS. WHEN MTN DEL OUTLINED BENEFITS OF INCREASED DISCIPLINE, ETC., MARIADASON REPLIED THAT THEY WOULD HAVE TO SEE MORE OF THE SUBSTANCE OF THE VARIOUS CODES' BASIC PROVISIONS AS WELL AS S AND D BEFORE COMMITTING SRI LANKA. IN REPLY TO PLEA FOR GREATER TRANSPARENCY IN CODE DELIBERATION, MTN DEL NOTED U.S. INTENTION TO PUSH FOR GATT CIRCULATION OF ALL DOCUMENTS AS SOON AS POSSIBLE.

5. COMMENT. IN VIEW OF THE FACT THAT IT IS OUR INTEREST TO ELIMINATE THE DUTY ON GRAPHITE, THE ONLY

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PRODUCT ON WHICH SRI LANKA IS PRINCIPAL SUPPLIER, MTN
DEL BELIEVES THAT CONFIRMATION THAT DISCRETIONARY
LICENSING HAS BEEN ABOLISHED ON PRODUCTS ON THE U.S.
INDICATIVE LIST SHOULD ULTIMATELY SATISFY OUR REQUIREMENT
FOR CONTRIBUTIONS FROM SRI LANKA.

6. DRAFTED BY WHITE. CULBERT

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